



# Fairfax County Internal Audit Office

**Clerk to the Board  
Procurement Card Audit  
Final Report**

**April 2009**

*"promoting efficient & effective local government"*

## Executive Summary

Our review of the Office of the Clerk to the Board's procurement cards revealed that the internal controls in the areas of weekly transaction reviews, clearing account reclassifications, and FAMIS reconciliations were adequate. Additionally, internal control procedures were well documented, proper separation of duties was in place, and the department generally appeared to be in compliance with internal controls outlined in county Procedural Memorandum (PM) 12-02. However, we noted the following exceptions where controls needed to be strengthened:

- Payment receipts containing vendor confirmation of actual amounts paid were not on file for two of 25 transactions reviewed.
- Transactions were not always recorded on the p-card transaction log.
- Virginia sales tax totaling \$21.40 was inappropriately added on for two of 25 procurement card transactions.

## Scope and Objectives

This audit was performed as part of our fiscal year 2009 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of January 1, 2008, through December 31, 2008, and our audit objectives were to determine if the department:

1. Had developed written internal procedures in accordance with PM 12-02.
2. Followed the county rules and procedures for the use of procurement cards.
3. Had adequate internal control procedures in place and that these procedures were being followed by cardholders.
4. Transactions were reasonable, in line with policy, and did not appear to be fraudulent.

## Methodology

Our audit methodology included a review and analysis of internal control procedures, procurement card expenditures, and related accounting records of the department. Our audit approach included an examination of procurement card expenditures, records and statements; interviews of appropriate employees; and a review of internal policies and procedures. We evaluated the processes for compliance with the county's PM 12-02. Information was extracted from the procurement card management system for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of the system controls. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the county executive. Organizationally, we are

outside the staff or line management function of the units that we audit. We report the results of our audits to the county executive and the Board of Supervisors, and reports are available to the public.

## Findings, Recommendations, and Management Response

### 1. Receipt Documentation

We noted two of 25 transactions tested did not have an original vendor receipt on file to adequately support procurement card transactions. One transaction was related to hotel room charges where there was no evidence on vendors documentation confirming the amounts paid. The other transaction was for registration fees for ViVa Vienna 2009 had only the outgoing fax registration form on file.

Without adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

**Recommendation:** The Office of the Clerk to the Board should ensure that sufficient receipt documentation, as specified by PM 12-02, is maintained on file for all procurement card transactions. Proper documentation could include correspondence from the vendor confirming registration and hotel invoices showing a zero balance.

**Management Response:** Staff will make more of an effort to acquire the necessary documentation. If the documentation cannot be acquired, then staff will document its efforts to acquire it and place that in the file.

### 2. Transaction Logs

The card activity log was not a complete reflection of the department's procurement card spending. We noted five of 25 transactions tested were not recorded on the procurement card log. This was also a finding on Procurement Assistance and Compliance Program Review (PAC) performed in February 2007.

Procedural Memorandum 12-02 requires agencies to have a system that tracks expenditures as they occur. Agencies may use an appropriate manual or computer log to record both debit and credit transactions. Entries must be contemporaneous to give up-to-date information on funds expended and the applicable card user.

**Recommendation:** We recommend the Office of the Clerk to the Board maintain a transaction log which accurately reflects all procurement card activity, to ensure that card use is properly monitored. Furthermore, procurement card sign in/out log should properly reflect all card sign in/out activity for proper tracking and accountability.

**Management Response:** Staff will make a concerted effort to record all transactions in the log and sign in and out for the card. The Clerk will verify compliance when reviewing the monthly transfer voucher.

### 3. Sales Tax Exemption

Virginia sales tax totaling \$21.40 was inappropriately added on for two procurement card transactions. Procedural Memorandum 12-02 states that most county purchases are exempt from Virginia state sales tax. The county's exempt number is printed on the face of each card.

Failure to make sure that sales tax was not charged on exempt purchases can lead to a waste of county funds.

**Recommendation:** The Office of the Clerk to the Board should ensure that card users are aware of the sales tax exemption for goods and services purchased in Virginia. Vendors should be reminded of the county's tax exempt status and receipts examined to verify that sales tax was not charged.

**Management Response:** Staff will make more of an effort to use the tax exempt status. All department users are aware of the tax exemption and are tested on procedures.